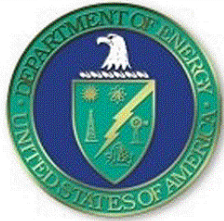


CONTRACT ADMINISTRATION PLAN

PROJECT HANFORD MANAGEMENT CONTRACT

CONTRACT NO. DE-AC06-96RL13200

Fluor Hanford, Inc.



(Date)
Richland, Washington

PROJECT HANFORD MANAGEMENT CONTRACT

CONTRACT ADMINISTRATION PLAN

Keith A. Klein, Manager
Richland Operations Officer

Date

Introduction

The Hanford Site has two major missions: (1) cleanup, and (2) science and technology. There are two major Office of Environmental Management (EM) programs associated with cleanup. The first is the River Protection Project (RPP), which includes cleanup of Hanford Site high-level waste, and is managed by the DOE Office of River Protection (ORP). The second is Project Hanford, which encompasses cleanup of the remainder of the Hanford Site, and is managed by the DOE Richland Operations Office (RL). Contract DE-AC06-96RL13200, the Project Hanford Management Contract (PHMC) with Fluor Hanford, Inc (FHI) includes cleanup activities associated with Project Hanford. The contract was awarded in August 1996 for the period from August 1996 through September 2001, with up to five additional option years. In December 2000, RL and FHI restructured this contract and negotiated an extension through September 2006. The restructured contract includes an "off-ramp" that allows RL to reduce the period of performance if Fluor's contract performance is determined to be unacceptable.

As the Project Hanford Management Contractor, FHI is responsible for planning, integrating, managing, and executing projects, services, and other activities at the Hanford Site as described in the Contract. FHI is also responsible for interfacing and coordinating with other Hanford Site Prime Contractors in the performance of its work and providing Government-furnished infrastructure and services, as required, to other Hanford Site Contractors.

Purpose of Plan

The purpose of this Contract Administration Plan (CAP) is to provide guidance to RL employees involved with the management and administration of the Project Hanford Management Contract No. DE-AC06-96RL13200. Such guidance should be a useful tool to help the DOE to ensure that FHI and RL comply with all terms and conditions that govern the Contract. This CAP was developed with the following guiding principles:

- (1) Shall be a useful tool for administering the contract.
- (2) Shall be an executive summary of the roles and responsibilities of the contracting parties.
- (3) Shall identify who is responsible for various contract administration activities.
- (4) Shall be flexible and adapt to changing circumstances.

Successful management and administration of this contract will require the coordinated efforts of a variety of RL personnel. Some of these key personnel include: Contracting Officer (CO); Contracting Officer's Representatives (CORs); Contract Specialists (CSs); RL Manager and senior staff and subject matter experts. This CAP will delineate the roles and responsibilities of these team members and will provide for their interaction on key contract administration duties.

This CAP does not include every action that the RL will need to complete to make the contract successful. However, this CAP summarizes the higher-level requirements, deliverables, and tasks necessary, and describes the overall process within which the tasks are performed.

Statement of Commitment and Partnering

Although it is not a part of the contract, the RL Manager, and the FHI President signed a Statement of Commitment and Partnering when the contract extension was negotiated. This sidebar agreement commits RL and FHI to participate in facilitated partnering sessions. The objective of the partnership will be to accelerate cleanup by eliminating or streamlining Reports, Approvals, Processes, and selected Directives.

Contract Summary & Principal Features

Successful achievement of the contract Statement of Work will require that the Contractor successfully accomplish the following:

- Protect worker safety and health, public safety and health, and the environment
- Provide effective leadership & management (operations and financial management)
- Provide timely and accurate management response to both internal and external Hanford customers

Specific performance objectives, measures, and expectations are detailed in Contract Section J, Appendix D.

The following sections provide an overview of the projects and site-wide services considered part of the Contractor scope of work. Details are contained in the EM Site Specification, which will be used by the Contractor in planning and executing its work. The Specification shall be maintained under configuration control and the Contract need not be modified by changes in the Specification unless those changes specifically modify the work or intent of the Contract. If any discrepancies exist between the Specification and Contract, the Contract shall prevail. *(Note: Some of the services cited below are site-wide services.)*

FHI is responsible for interfacing and coordinating with other Hanford Site prime contractors in the performance of this work. FHI is to ensure that requirements for services provided to other Hanford Site contractors and received from other site contractors are integrated with other Hanford Site contractors and provided for in the Contract Baseline.

FHI shall execute its projects and conduct its business in such a way as to achieve the following outcomes:

- Restore the River Corridor for multiple uses
 - Transition the Central Plateau to support long-term waste management
 - Use DOE-RL assets to solve local, regional and global problems.
- Site Integration and Infrastructure work scope includes:
- Management and Integration
 - Information Technology
 - Landlord and Site Services
 - Waste Minimization
 - Traffic Manager
 - Environmental Monitoring
 - HAMMER
 - Safeguards and Security
- Other Work Scope includes:
- Legal Services & Litigation Management
 - Radiological Assistance Program
 - Science & Technology
 - Economic Transition
 - Land Use/Stewardship
 - Public Relations and Media Support
 - Employee Concerns Program
 - Training
 - ESH&Q
 - Architect Engineer/Construction Management
 - Work With Others--
 - Battelle Memorial Institute
 - Hanford Environmental Health Foundation (HEFE)
 - CH2M HILL Hanford Group, Inc. (CHG)
 - Bechtel Hanford Incorporated (BHI)
 - Johnson Controls Incorporated (JCI)
 - Bechtel National, Inc. (BNI)
- Potential Withdrawal of Work:
- 300 Area tasks have been identified as work that might be withdrawn from this contract.
- Potential Addition of Work
- 200 Area, 600 Area, Groundwater/Vadose Zone have been identified as work that might be added to this contract.

FHI must integrate safety and environmental awareness into all activities, including those of subcontractors at all levels, consistent with Integrated Safety Management principles. Work must be accomplished in a manner that achieves high levels of quality, protects the environment, the safety and health of workers and the public, and complies with requirements. FHI will identify hazards, manage risks, identify and implement good management practices, and make continued improvements in environment, safety, health, and quality (ESH&Q) performance.

Head of Contracting Activity and Authority

Mr. Keith A. Klein, Manager, Richland Operations Office, is the Head of the Contracting Activity (HCA). HCA authority limitations are set forth in Redelegation Order 0204-98.1 dated July 08, 1986, from the Director, Procurement and Assistance Management Directorate.

Contracting Officer(s) and Authority

The principal RL Contracting Officer for Contract No. DE-AC06-96RL13200 is:

U. S. Department of Energy
Richland Operations Office, MS A7-80
Sally Sieracki
Contracting Officer
Office of Procurement Services
P.O. Box 550
Richland, WA 99352

Tele: (509) 376-8948
Fax: (509) 376-5378
E-mail: Sally_A_Sieracki@rl.gov

Other warranted RL Contracting Officers may execute actions in her absence consistent with this Plan. A current list of warranted Contracting Officers, with their authorities and limitations, is found at the Procurement Services Division Web Page -- <http://www2.hanford.gov/coads/>

The CO has authority to enter into, administer, or terminate Federal contracts for goods and services. The CO must ensure that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met. The CO is also responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. The FAR allows the CO wide latitude to exercise business judgment. This duty includes the balanced objective of safeguarding the interests of the United States in its contractual relationships and ensuring that contractors receive impartial, fair, and equitable treatment.

Contracting Officer Representative(s) (COR) and Authority

The CO will designate by separate letter the COR(s), who will represent the CO in the technical phases of the work. A current list of CORs, with their authorities and limitations, is found at the Procurement Services Division Web Page <http://www2.hanford.gov/coads/>. The CORs are not authorized to change any of the terms and conditions of this Contract. The CO, through properly written modification(s) to the Contract, is the only person authorized to make changes to the contract.

The CORs will have specific authorities related to technical guidance and inspection and the CO will prescribe these to him/her in writing. The CO will also notify the contractors in writing of the specific authorities granted to the CORs. Specific tasks to be performed by the COR are described in detail in the COR delegation letter. Principle tasks to be assigned to the CORs are as follows:

- Monitor Contract Compliance.
- Monitor Administrative and Funds Aspects of the Contract.
- Property Management (as applicable).
- Assist in Closeout of Contract.

It is mandatory that the following statement be included in all written COR direction furnished to the contractor:

"If, in my capacity as a Contracting Officer's Representative (COR), I provide any direction that your company believes exceeds my COR authority, you are to immediately notify the Contracting Officer and request clarification prior to complying."

RL Organizations

Various RL organizational elements have contract management responsibilities and ownership for actions associated with this contract.

These Assistant Managers share the ownership for project execution:

- The Assistant Manager for Planning & Integration (AMI) is responsible for management of all systems specifications and optimization, and interface management.
- The Assistant Manager for Safety & Engineering (AMSE) is responsible for design to/construct to requirements, project management from design to construction completion, and Safety issues.

- The Assistant Manager for the River Corridor (AMRC) ensures that waste is safely handled, stored, and managed. In addition, the AMRC ensures waste is maintained in a safe configuration until the processing facility is ready, ensures this waste is retrieved and pumped to the WTP, and conducts immobilized waste retrieval and storage/disposal operations.
- The Assistant Manager for Central Plateau (AMCP) is responsible for the projects and site-wide services considered part of the Central Plateau scope of work. The 200 Area Plateau consists of three major outcome elements – remediation of remedial action sites and structures; treatment, storage and disposal of onsite wastes; and stabilization, storage and disposition of onsite special nuclear materials in the plutonium finishing plant complex.

These Assistant Managers and Offices are responsible for compliance controls for RL:

- The Office of Assistant Manager for Safety & Engineering (AMSE) is responsible for establishing the authorization basis for operation, identifying requirements and standards, implementing Integrated Safety Management, and providing technical subject matter expertise for nuclear and facility safety and engineering support to ensure the safety and health of the workers and the public. AMSE ensures work is performed safely, efficiently, and in compliance with radiological, nuclear, and process safety requirements. The AMSE also ensures that quality programs are in place and implemented, and manages the RL authorization basis.

RL Program Management and Control: These organizations are the integration and control elements that provide baseline, contract management, business management, policy and budgeting functions:

- The Assistant Manager for Planning & Integration (AMI) is responsible for strategic analysis, top-level requirements management, configuration management, baseline integration, baseline change control, risk management, variance management, performance measurement and reporting, and vadose zone management. AMI insures work is in compliance with applicable environmental permits, statutes, and agreements, such as the Tri-Party Agreement
- The Office of Financial Services (FSO) develops and oversees crosscutting business and administrative functions, such as submitting and supporting the RL budget, managing the budget and funds process, and maintaining the finance system. FSO also provides resource management and Management Information System management.

Other Administration Parties: These organizations provide industrial relations and contract audit functions:

- The Office Procurement Services (PRO) provides cost/price analysis support in addition to industrial relations and labor management guidance and advice to the RL Contracting

Officers. The Contracting Officers manage all contractual interface activities with the contractors.

- The Office of Performance Evaluation (OPE) is the lead RL organization responsible for oversight of the following contractor activities: aviation safety, accident investigation, conduct of operations, Defense Nuclear Facilities Safety Board interface, improvement actions management -- including corrective actions, independent self-assessments, internal audit, lessons learned, management self-assessments, occurrence reporting, and the Price Anderson Amendment Act program.
- The Office of Associate Manager for Science & Technology (AMT) has leadership responsibilities for the Hanford Site science and technology mission, performs a management role in the Tanks Focus Area, a DOE Office of Environmental Management national program, and oversees operations at the Volpentest HAMMER Training and Education Center. AMT also provides guidance, reviews, and approves contractor proposals and Technical Task Plans (TTPs) for Environmental Management (EM) Science & Technology work scope.
- The Defense Contract Audit Agency (DCAA), under the authority, direction, and control of the Under Secretary of Defense (Comptroller), is responsible for performing contract audits for the Department of Energy, and providing accounting and financial advisory services regarding contracts and subcontracts for RL contract administration activities. These services are provided in connection with negotiation, administration, and settlement of contracts and subcontracts.
- The Office of Site Services (OSS) is responsible for managing Hanford infrastructure systems such as water, sewer, electricity, communications networks, environmental monitoring (radiological, chemical, and biological), reporting radiological releases to the public, biological control, laboratory management, and transportation.
- The Office of the Chief Counsel (OCC) provides legal advice and assistance as necessary in connection with negotiation, administration, and settlement of contracts and subcontracts, and all other aspects of the RL mission.

Contract Schedule Milestones

Performance Based Incentives (PBIs) are generally multi-year incentives. Specific schedule milestones are in Section J, Appendix D "Performance Objectives, Measures, Expectations and Incentives".

Contract Summary by Section

Note: The list of Contract clauses below does not include all contract terms and conditions. These are considered key clauses that are highlighted for the purposes of this CAP. The contract structure follows the FAR Uniform Contract Format:

<u>Section</u>	<u>Description</u>
A	Award Form
B	Supplies or Services and Prices/Costs
C	Statement of Work
D	Packaging and Marking
E	Inspection and Acceptance
F	Deliveries or Performance
G	Contract Administration Data
H	Special Provisions
I	Contract clauses
J	List of Documents, Exhibits, and Other Attachments

Contract Section B

Clause B-4, Estimated Fee and Cost:

- Annual fee amounts (less fee paid or missed under comprehensive, annual, or multiyear incentives) will be accrued each year. More or less fee may be paid out in a given year depending upon work completed.
- If the actual funding differs from the estimated funding by more than 10% in a given FY, the Contracting Officer (CO) may adjust the total available fee for that year.

Clause B-7, Option Exercise; Reduction of Term:

- If, by the end of FY 2003, FHI fails to earn 60% of the incentive fee available for annual performance based incentives, the comprehensive incentive, and progress payments based on completion dates in the multi-year incentives, then FHI agrees the term of the contract may be reduced from its current expiration date of September 30, 2006.

Contract Section H

Clause H.33, Performance Objectives, Measures, Expectations, and Fee Distribution:

- The final determination of the incentives and related fee distribution is at DOE's unilateral discretion. The performance incentives are contained in Section J, Appendix D of the contract.
- A change of conditions, circumstances, funding, or assumptions which impact the contractor's ability to earn fee constitutes a change, when such changes are beyond the contractor's reasonable control.
- Superstretch (SS) incentives:
 - Cost/fee are from cost savings realized through efficiencies and/or work scope deletions, not deferrals.

- SS work scope must be identified in a BCR and be approved by the RL Manager.
- SS costs will include fee at up to 20% of the BCWS of the accelerated work.

Clause H.35, Provisional Payment of Fee for Comprehensive and Annual PBI's

- Provisional payments are made at the discretion of the Contracting Officer on a monthly basis up to a maximum of 70% of the fee pool for a fiscal year.
- Fee associated with multi-year incentives is not subject to this clause.

Clause H.37, Provisional and Progress Payments of Multi-Year Incentives

- Provisional Payment: A conditional payment of fee for partial completion of a multi-year PBI. Payments are conditioned upon the successful completion of a subsequent event defined in the PBI. Upon completion of the subsequent event, the payment becomes final.
- Progress Payment: **Final payment** of fee based upon partial completion of a multi-year PBI and total completion of the PBI.
- The contractor can request payment for provisional and progress payments on a monthly basis.

Clause H.38, Multi-Year Fee Pool

- The CO will use best efforts to allocate any unassigned fee to meaningful work efforts during the term of the contract
- Fee from the comprehensive, annual, and multi-year PBIs which is unearned for failure to meet PBI requirements, is forfeited and not returned to the unallocated fee pool.

Clause H.49, Alternative Dispute Resolution (ADR):

FHI and RL agree to:

- Participate in a partnering workshop
- Select a “standing neutral” and ADR processes and procedures in the partnering workshop
- Agree to invoke ADR for significant disputes upon mutual agreement of the RL Manager and FHI President.

Contract Section I

Clause I.16 Laws, Regulations, and DOE Directives:

- Specifies process by which new requirements are added to the contract.
- Allows contractor 30 days to evaluate new requirements for potential impacts.
- If appropriate, requires changes to contract cost or schedule due to new requirements.

Clause I.20 Conditional Payment of Fee:

- Allows RL Manager to unilaterally reduce otherwise earned fee due to performance failure relating to:
 - Implementation of an approved Integrated Safety Management Plan and an approved Safeguards and Security Plan
 - Compliance with Applicable Laws, Regulations, and DOE Directives
 - Accomplishment of annual performance commitments relating to ES&H and Safeguards and Security (S&S)
 - Prevention of catastrophic events or breaches of security

- Fee reduction for ES&H and S&S shall be in specified ranges, for first, second, and third degree failures
- The RL Manager may also unilaterally reduce otherwise earned fee for failure to:
 - Achieve specified minimum performance levels
 - Achieve stipulated cost performance levels
- Reductions for either of these failures shall not result in the total earned fee being less than 25% of the total available fee amount

Fee Administration

The fee on the PHMC is administered primarily through annual Performance Based Incentives (PBIs), and multi-year PBIs (where requirements are established in one fiscal year but the final completion date extends into a future fiscal year.) A PBI is an individual agreement that sets forth performance objectives, measures, expectations and related fee distributions, and which is incorporated into the contract at Section J, Appendix D. All of the Contractor's available fee pool is allocated to PBIs, except for a small pool of "unallocated" fee, which is intended to be allocated during the contract term. In addition, the contractor has the opportunity to earn Super Stretch fee for completing Super Stretch Performance Based Incentives (SSPBIs). Fee for super stretch performance is outside of the available fee pool.

Performance Incentives will Multi-year PBI can include Provisional Payments and/or Progress Payments, as explained in detail in Clause H.37.

A Provisional Payment is a conditional payment of fee for partial completion of a multi-year PBI, conditioned upon the successful completion of a subsequent event as set forth in the PBI. Upon successful completion of the subsequent event, the provisional payment of fee will become a final payment of fee. If the contractor fails to successfully complete the subsequent event upon which the provisional payment of fee is conditioned, the contractor shall refund to the Government the provisional payment(s) received associated with the missed performance based event.

A Progress Payment will be a final payment of fee based upon partial completion of a multi-year PBI, as defined in the individual PBI. In general, progress incentives will have greater intrinsic value to the Government than provisional goals.

For any expectation to be considered performed, work must meet the criteria in the PBI and must be accomplished with the approved cost and schedule thresholds specified in the PBI, as modified through the Change Control Process. The process for administering PBIs and SSPBIs is outlined in Clause H.33, Performance Objectives, Measures, Expectations, and Fee Distribution.

At the conclusion of the appropriate performance period, the Government will evaluate the contractor's overall performance to determine the fee earned during the year. This evaluation will be a consideration in (1) incentive fee determinations by the RL Manager, (2) invoking

Clause B.7, Option Exercise, Reduction of Term, (3) in the DOE decision whether to terminate the contract for default, and (4) whether to invoke the Conditional Payment of Fee Clause. The annual determination is required for two reasons: (1) the Comprehensive PBI, which accounts for nearly 15% of the available fee pool, is an annual PBI, and (2) provisional fee payments to the Contractor are based on an annual accounting method, which requires an annual reconciliation of earned fee. The final fee determination must be made within 60 days of the fiscal year end or else interest charges start accruing to the Contractor.

The COR is responsible for ensuring that "Performance Expectation Completion Notices" (PECNs) are adjudicated within the 30 days of receipt from the Contractor.

Additional guidance regarding fee is in Section H, clauses H.33, H.35, H.37, and H.38; and Section I, clause I.20. Final fee determinations for SSPBIs are made, and fees are paid, upon completion of performance as defined in individual SSPBIs.

Under Clause I.20 "Conditional Payment of Fee", the RL Manager may unilaterally reduce earned fees for failure to meet minimum requirements of the ES&H safety management systems. This unilateral right also extends to a catastrophic event, failures to comply with the statement of work, or cost performance failures.

Fee Reallocation

The contract includes a provision that allows the Government to reallocate the fee among the PBIs or to new PBIs, if the DOE cancels an objective, measure, and/or expectation (see Clause H.33.F).

Unallocated Fee Pool

The entire fee pool will be allocated and made available during the contract term by assigning fee to the comprehensive, annual, or multi-year PBIs. The CO will use his/her best efforts to allocate any unallocated fee to meaningful work effort during the term of the contract. However, fee from the comprehensive, annual, and multi-year PBI's which is unearned for failure to meet PBI requirements is forfeited and shall not be returned to the unallocated fee pool.

Invoicing

The invoice review process requires that a COR be designated for each WBS covered by the contract. The names and corresponding WBSs will be included in the Hanford Data Integrator system (HANDI), and invoice certification will be possible. The receipt of property or services, approval of contractor invoices, and routine interface with contractors to resolve questions about invoices are inherent government functions and do not require the personnel performing them to be designated as CORs. An invoice approving official for this purpose does not have to be a COR, and can be a designated member of the COR's staff.

Other Contract Management Responsibilities

Other Contract Management and Administration Actions and associated RL responsibilities for each, are provided in Appendix A to this Plan

Attachments:

Appendix A – Contract Data Requirements

Appendix B – Contract Management and Administration Actions